

AR53

annual report

1961

FEB 5 1962



AMERICAN MOTORS



financial highlights

YEARS ENDED SEPTEMBER 30,

1961

1960

1959*

1958*

a review in brief

Net Sales	\$875,723,798	\$1,057,716,447	\$869,849,704	\$470,349,420
Earnings Before Income Taxes	\$ 50,378,894	\$ 105,443,361	\$105,145,760	\$ 25,633,139
% of Net Sales	5.8%	10.0%	12.1%	5.4%
Per Share	\$2.79	\$5.86	\$5.90	\$1.45
Taxes on Income	\$ 26,800,000	\$ 57,200,000	\$ 45,100,000**	**
% of Net Sales	3.1%	5.4%	5.2%	
Per Share	\$1.48	\$3.18	\$2.53	
Net Earnings	\$ 23,578,894	\$ 48,243,361	\$ 60,045,760	\$ 25,633,139
% of Net Sales	2.7%	4.6%	6.9%	5.4%
Per Share	\$1.31	\$2.68	\$3.37	\$1.45
Cash Dividends	\$ 21,644,730	\$ 20,628,563	\$ 7,122,730	
Per Share—Fiscal Year	\$1.20	\$1.15	\$0.40	
—Calendar Year	\$1.10	\$1.05	\$0.80	
Stock Dividend	2%†		5%	
Average Number of Employees	28,641	30,255	25,372	17,182
Employee Wages and Benefits	\$193,434,306	\$ 225,890,316	\$189,437,949	\$105,689,047

at September 30

Net Working Capital	\$103,149,619	\$ 96,154,677	\$110,219,733	\$ 79,915,900
Per Share	\$5.71	\$5.35	\$6.19	\$4.52
Investment in Subsidiaries	\$ 34,635,757	\$ 33,416,896	\$ 28,529,529	\$ 15,000,642
Property, Plant and Equipment—				
Net	\$ 85,731,724	\$ 94,792,989	\$ 58,617,667	\$ 51,484,776
Long Term Debt	—0—	\$ 4,000,000	\$ 7,000,000	\$ 10,000,000
Shareholders' Investment	\$225,687,189	\$ 223,290,259	\$194,922,341	\$141,911,238
Per Share	\$12.50	\$12.41	\$10.94	\$8.51
Capital Shares Outstanding	18,057,805	17,988,978	17,816,589	17,649,534
Number of Shareholders (approximately)	133,000	90,000	57,000	51,000

notes

*1958 and 1959 data have been restated to give effect to the 3-for-1 stock split effective February 10, 1960 and the change in accounting policy outlined in Note A to financial statements.

**No provision for taxes on income was required for the first \$21,000,000 of 1959 fiscal year earnings (approximately first quarter earnings) and for the full fiscal year 1958 because of the carry forward of prior year operating losses.

†Paid December 27, 1961.



AMERICAN MOTORS



notice of annual meeting

The annual stockholders' meeting is scheduled to be held February 7, 1962.

In connection with this meeting, proxies will be solicited by the management.

A notice of the meeting together with a proxy statement and a form of proxy will be mailed to stockholders under separate cover on or about January 3, 1962.

president's letter DECEMBER 31, 1961



A vigorous recovery of sales momentum, following a sharp sales drop in the March quarter, characterized the final six months of American Motors' 1961 fiscal year which ended September 30.

Net earnings of \$23,578,894, or \$1.31 per share, were realized in 1961 compared to \$48,243,361, or \$2.68 per share, earned in the preceding fiscal year.

Net sales for American Motors and its consolidated subsidiaries in the 1961 fiscal year totaled \$875,723,798. The previous fiscal year's sales were \$1,057,716,447.

Rambler's percentage of total industry registrations in 1961 was maintained close to the level of its 1960 market penetration, despite increasingly greater competition in the compact car segment of the market. In August, Rambler rose to No. 3 place in the industry on the basis of total registrations for the calendar year.

The Kelvinator division, beginning in April, recorded six consecutive months of sales increases over the corresponding months of 1960, reversing a downward sales trend that had been industry-wide in scope. The fiscal year concluded with Kelvinator unit sales slightly above 1960. The appliance division increased its share of industry business during the fiscal year.

The downturn of general business activity during the early part of the calendar year, which had a particularly adverse effect upon automobile and appliance industry production and sales volumes during that period, affected American Motors' earnings.

Other major factors accounting for lower fiscal year earnings were:

- Closer competitive pricing which made it necessary for the company to absorb higher labor and material costs.
- Substantially greater outlays for tools, jigs and fixtures required to produce the new '61 Rambler American and to effect distinctive appearance changes in the '61 Ambassador model.
- Increased charge-offs for depreciation and amortization, due to expenditures for expanded production facilities over the past three years,



George Romney, Chairman of the Board and President

and to a conservative fiscal policy calling for accelerated write-offs of such expenditures.

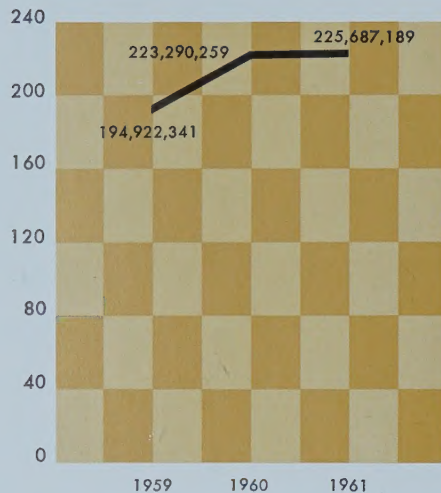
- The cost of more liberal owner warranty terms extending customers' service guarantees to 12,000 miles, or 12 months, whichever comes first.
- Increased expenditures for sales stimulation programs and merchandising assistance at the dealer level which proved an important factor in moving Rambler's sales curve upward again in the Spring months following a period of decline.

A stringent control was maintained over variable expenses throughout the fiscal year. Closer scheduling of production in relationship to sales made it possible for American Motors to keep inventories at low levels, which reduced the end-of-model-year cleanup expense.

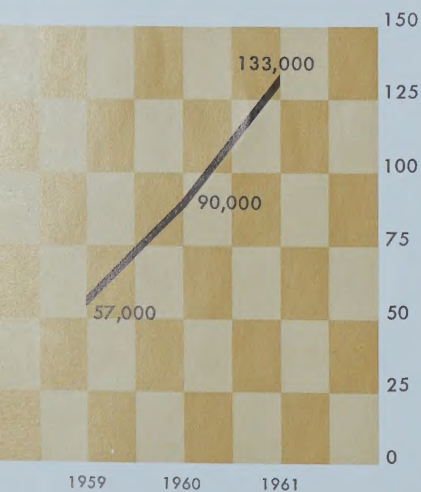
Your management elected to retain, and in some cases, to increase expenditures in certain areas in the interest of strengthening American Motors' future market position. These included engineering, research and development work upon which the success of our future product programs depends.

Prompt and substantial support of our field

shareholders' investment



beneficial owners of common stock



selling organization in the second fiscal quarter made it possible for our relatively new dealer body to compete successfully in face of severe marketing conditions and close trading. Rambler had the lowest percentage of dealer attrition of any company in the automobile industry during the recession period, importantly as a result of this program.

American Motors continued to expand its world-wide business in 1961. We recently established the American Motors Export A. G. in Zug, Switzerland to facilitate the handling and supervision of our overseas automotive and appliance business.

American Motors in midsummer negotiated a new labor agreement with the unions representing our hourly employees which should result in significant industrial relations and stockholder benefits in the future.

Through this contract your company improved its competitive position in several respects. However, the contract does increase our labor costs, although these cost increases are partially offset by substantial savings resulting from changes made in local plant working agreements which provide for the modification or elimination of certain costly plant practices.

The company's fixed cost increases for employee benefits were kept lower than those granted by other major automobile companies, because the cost of the improvements in benefits were made largely variable in nature, subject to sufficient earnings being available; otherwise the employees themselves stand part of the costs or lose part of the increase in benefits.

Under the contract, our new Progress Sharing plans aim to distribute the fruits of progress equitably among stockholders, employees and consumers. By establishing a relationship between the company's level of profits and the degree of employee benefits to be realized, the contract provides a greater incentive to employees to increase personal efficiency and to maintain higher quality standards.

The capital stock feature of our new agreement is a further step in providing a "partnership" role in the company for employees. One-third of the Progress Sharing Fund will be earmarked for stock in the company to be

issued to a Trustee for the employees. This aspect of the plan will be submitted to stockholders for approval at the annual meeting, as well as to the appropriate governmental and other official agencies.

The Progress Sharing program is described in greater detail in a booklet mailed to stockholders in November, "What American Motors' New Labor Agreement Means to Stockholders." We urge your careful reading of this special mailing piece.

A similar plan was approved by the board of directors on September 29 for certain salaried and other eligible employees.

The "A-OK Quality Workmanship" campaign, which has resulted in greater employee cooperation in making products of improved quality, promises to provide American Motors with further competitive advantages. It supplements a series of engineering and manufacturing activities designed to assure the superiority of Rambler and Kelvinator product value to the customer.

With the beginning of the 1962 model year, American Motors announced lower prices on all Rambler models, principally as a result of reducing dealer discounts to competitive levels and as part of our policy of sharing progress with customers as a means of expanding sales volume and capitalizing on our highly favorable ratio of earnings to additional volume. Rambler American advertised delivered prices begin at \$1,846, and on a model-for-model basis the American offers the lowest domestic prices in the automobile industry.

Distributor prices on some Kelvinator models now are priced up to 3% higher than last year, reflecting additional product features, improved value and firming prices in the appliance industry.

With Ramblers in brisk demand, and with forecasts indicating a strong automobile year generally, Rambler production for the quarter ending December, 1961 has been scheduled at a slightly higher rate than in the same quarter a year ago. Forecasts for the second fiscal quarter of 1962 (ending March 31) call for an output substantially higher than the level achieved in the corresponding 1961 quarter.

Kelvinator unit production at Grand Rapids for the quarter ending December, 1961 has been scheduled about 40% higher than last year, reflecting increased consumer demand for refrigerators, higher production of laundry equipment for export markets, the relocation of range production in Grand Rapids, and government orders of appliances for military installations.

Continuation of the surging demand for our 1962 Rambler models could again impose a heavy load on present manufacturing and distribution facilities, and require further expansion. At the same time, American Motors is moving rapidly into a more significant position in overseas fields, and further attractive investment opportunities abroad are developing.

The recent decision to build up working capital by reducing the cash dividend and declaring a stock dividend will permit your company to take advantage of opportunities here and abroad for company growth by utilizing earnings to the greatest extent possible. We believe this prudent dividend policy will serve both the immediate and long-range interests of our stockholders.

George Romney
Chairman and President

Thousands of welds make Rambler single unit construction a solid and safe automobile body.





automotive review

The recession in mid-Winter and severely inclement weather, particularly in the East, resulted in an industry drop in domestic sales for the 1961 year. Despite the introduction of additional competitive compacts, Rambler percentage of industry registrations in the calendar year through September 30 fell only slightly to 6.40%. For the same period a year ago it was 6.63%.

American Motors automobile wholesale sales (U.S. and export) in the 1961 fiscal year as compared to the previous year were as follows:

	<u>Fiscal 1961</u>	<u>Fiscal 1960</u>	<u>% Change</u>
RAMBLER	384,829	464,790	-17.2
METROPOLITAN	8,142	13,459	-39.5
Total	392,971	478,249	-17.8

Automobile sales to retail customers in the U.S. in the 1961 fiscal year as compared to the previous year were as follows:

	<u>Fiscal 1961</u>	<u>Fiscal 1960</u>	<u>% Change</u>
RAMBLER	374,642	423,127	-11.5
METROPOLITAN	9,130	13,538	-32.6
Total	383,772	436,665	-12.1

The Rambler dealer body was maintained close to the previous year's level in a period of relatively heavy dealer mortality in the automotive industry. As of September 30, 1961, the Rambler dealer total stood at 2,934 as compared to 2,978 a year earlier. The signing of additional Rambler dealers in October and November has now added further to the 1961 dealer total. The total number of automobile dealers in the U.S. declined to 31,565 on July 1, 1961 from 33,374 on June 1, 1960.

Sales of 1961 Ramblers to export markets, excluding Canada, exceeded those of 1960 by 63%.

Rambler Classic production got underway in January in a new \$3.5 million wholly owned Canadian plant at Brampton, Ontario, and more recently, the output has also included the American series. The Brampton plant operated at a profit for the fiscal year despite initial start-up costs.

American Motors has invested \$3.5 million in Industrias Kaiser Argentina S.A. under a manufacturing agreement, including an investment in its subsidiary, Permanente S.A.C. y F. to finance the sales of the Argentina-produced Ramblers. Production tools shipped from our Kenosha, Wisconsin plant now are being installed at the I.K.A. plant in Cordoba, Argentina and the first Ramblers are expected to be produced there in January, 1962.

Arrangements also are being made with Renault, the largest French automobile manufacturer, to have Ramblers assembled in Belgium for distribution in Europe.

Ramblers are also being assembled in South Africa, Australia, New Zealand, Malta,

Rambler's quality workmanship provides greater customer benefits and product value.



The typhoon water test, one of Rambler's factory inspection methods, assures customers of leak-proof car bodies.



the Philippines, and Mexico, and are being sold in 94 countries by 186 distributors.

Further major improvements that increase Rambler's durability, safety and comfort have been made in 1962 models. All Rambler models feature a new and safer brake system as standard equipment. All brakes are self-adjusting, and incorporate separate hydraulic systems for front and rear brakes. Thus, if through damage, the front brakes should fail, the rear brakes will still operate, and vice versa. Rambler is the only car to offer this customer advantage as standard equipment, except for the Rolls Royce, Jaguar and Cadillac.

Other standard features include a new suspension system on the Classic and Ambassador models that increases riding comfort and ease of handling and makes possible 33,000 mile chassis lubrication intervals on these series. The battery on all models is guaranteed for two years, or 24,000 miles, whichever occurs first; and an oil filter on all models boosts normal oil change intervals to 4,000 miles.

Prospects for increased Rambler production and sales in both domestic and world markets appear bright. The market trend toward the compact car continues strong in this country. The share of the U.S. market accounted for by U.S.-built compact cars in October of this year was 35.7% compared to 26.4% in the same month of 1960 and with 9.8% in 1959.

Rising standards of living in overseas countries, too, are resulting in the elevation of motorists' preferences from small, austerity vehicles to cars of the compact type, which should open up additional sales opportunities for Rambler.

The Special Products division now is working on its third order from the military for production of the Mighty Mite, a light-weight four-wheel-drive vehicle built for the Marine Corps. The present order is for 1,232 units. A fourth order was signed in November for an additional 1,000 units, which will make a total of 3,482 units sold to the Defense Department.

net working capital

plant property and equipment



An authoritative industry publication recently called our Kenosha works "the most productive single assembly site in the country."

appliance review

Kelvinator rounded out the 1961 fiscal year with its unit volume slightly above 1960, due to a rising sales trend in the final six months, while unit sales of the industry as a whole were off approximately 4% for the year.

Operating results for the appliance division improved somewhat due to the elimination of certain unprofitable models, a closer control of inventories and further reductions in administrative and manufacturing costs. A larger expenditure for advertising and promotional activities helped accelerate Kelvinator's sales turn-about, when Kelvinator's business began to firm up in the Spring.

After a prolonged period of disruptive marketing practices in the U.S. appliance industry, there are now definite signs of improvement. This development, if maintained and coupled with a continuation of the present sales momentum, could make Kelvinator's outlook better than it has been for several years.

The appliance division's program to achieve greater product reliability has helped Kelvinator make an above-average sales showing as compared to the industry as a whole. This has been particularly true in automatic washers. The rate of washer service calls in the field has dropped sharply, primarily due to emphasis on

Automatic equipment charges Kelvinator refrigerators with oil and refrigerant to assure long-life and trouble-free performance.



quality manufacturing and the more extensive testing and checking procedures being maintained at the Grand Rapids factory.

* * *

In contrast to a weak showing in 1960, Kelvinator of Canada, Ltd., made a strong comeback in sales in 1961, enlarged its share of the Canadian appliance market, and closed the year with profitable operations.

Kelvinator, Ltd., of England, suffered from the general constriction of British business activity that resulted from earlier governmental credit controls and other adverse economic factors. Its sales were off sharply, with a consequent loss for the year.

Kelvinator recently strengthened its opportunities for further growth in the Common Market countries and in the Caribbean area.

American Motors has acquired a substantial minority interest in Kelvinator Italiana S.p.A., a company formed as a result of the reorganization of our Kelvinator licensee at Milan. This new manufacturing and distribution concern supplies Italy and other countries in the European Common Market with a broad line of refrigeration products.

Another investment has recently been made in Kelvinator France S.A., a new organization that has taken over the distribution facilities of Markt & Company, a long-time French Kelvinator licensee.

In October, Kelvinator International dedicated a new plant in Puerto Rico which is now producing refrigerators for the Island Commonwealth and the Caribbean markets generally.

Redisco, Inc.

Redisco, Inc., a wholly owned subsidiary, engaged in the purchase and collection of retail installment sales paper and the financing of dealer wholesale inventory, experienced a decline of 11% in volume of new business during



High fidelity amplifier and microphone measures the sound level of Kelvinator compressors in decibels.

the fiscal year, as a result of the economic recession.

However, loans outstanding as of September 30 had increased to \$144,637,879 from \$143,255,520 on the same date a year earlier because new business continued to exceed the amount of scheduled collections.

In 1961, Redisco's first year in the business of financing Rambler fleet sales, a total of nearly two million dollars of such paper was purchased. This type of business is expected to increase with rising Rambler fleet sales volume.



The number of stockholders has more than doubled in the past three years, bringing the American Motors total to approximately 133,000.

Stockholder Census

A projection of stockholder census data as of July 9, 1958 and August 24, 1961 to make the data applicable to our estimated position at fiscal year end, September 30, 1958 and 1961 respectively, shows the following:

	Number of Stockholders			% of Outstanding Shares	
	1958	%	1961	%	% Increase
Males.....	22,038	43.1	53,579	40.2	143.1
Females.....	17,682	34.6	38,061	28.6	115.3
Joint Accounts.....	10,368	20.3	39,550	29.7	281.5
Other.....	1,038	2.0	1,968	1.5	89.6
Total.....	51,126	100.0	133,158	100.0	160.4

Average Individual Holding—1958: 314 shares*
1961: 125 shares

*Adjusted for 5% stock dividend paid in January, 1959 and 3 for 1 stock split of February, 1960

Total employment averaged 28,641 compared to 30,255 in the preceding year.

Total annual payrolls of \$173,734,552 compared with \$203,741,237 a year earlier.

With the retirement at the end of the new fiscal year of the final payment of the \$4,000,000 remaining from a 15-year insurance company loan made to Nash-Kelvinator Corporation, American Motors will have no outstanding long-term debt for the first time in its history. Still in effect is the \$50,000,000 line of revolving bank credit agreement against which the company has made no borrowings.

With the expansion of company activities, a greater division of executive responsibility has recently been effected. Roy Abernethy has been made Executive Vice-President and General Manager with responsibility for sales, purchasing and manufacturing of automotive and appliance products in the United States. Virgil E. Boyd has been made Vice-President—Automotive Sales, and John C. Secrest was elected Vice-President—Purchasing, both reporting to Mr. Abernethy. Ralph H. Isbrandt was elected Vice-President—Automotive Engineering and Research.

Engineering changes must "make the grade" at Rambler Proving Ground before being adopted for production models.

On November 16, directors declared a cash dividend for the current quarter of 20 cents per share, plus a stock dividend of 2%, payable to stockholders of record November 28, 1961. This brings the total cash dividends paid for the calendar year of 1961 to \$1.10, plus the 2% stock dividend.* This compares to \$1.05 in cash, with no stock dividend, paid in calendar 1960.

*With fractional interest paid in cash.

Mere OK is not good enough. Kenosha demands "A-OK": everything all right.





*consolidated statements
of net earnings*

	Year ended September 30	
	1961	1960
Revenues:		
Sales.....	\$938,599,812	\$1,139,508,316
Less excise taxes.....	62,876,014	81,791,869
	<u>NET SALES</u>	<u>\$1,057,716,447</u>
Equity in net earnings of unconsolidated subsidiaries.....	1,009,913	2,858,739
Interest and miscellaneous.....	3,556,892	5,574,314
	<u>\$880,290,603</u>	<u>\$1,066,149,500</u>
Costs and expenses:		
Cost of products sold, other than items below.....	\$726,529,527	\$ 862,899,605
Selling, advertising, and administrative expenses.....	67,101,417	72,635,112
Amortization of tools and dies.....	18,041,972	10,892,518
Depreciation and amortization of plant and equipment.....	10,608,432	7,239,925
Cost of pensions for employees.....	7,420,361	6,738,979
Interest on long-term debt.....	210,000	300,000
	<u>\$829,911,709</u>	<u>\$ 960,706,139</u>
	<u>EARNINGS BEFORE TAXES ON INCOME</u>	<u>\$ 105,443,361</u>
Taxes on income:		
Federal.....	\$ 25,000,000	\$ 52,600,000
State.....	1,800,000	4,600,000
	<u>\$ 26,800,000</u>	<u>\$ 57,200,000</u>
	<u>NET EARNINGS</u>	<u>\$ 48,243,361</u>

*consolidated statements
of additional paid-in capital*

Balance at beginning of the year.....	\$ 34,518,198	\$ 34,052,393
Add:		
Excess of option price over par value of Capital Stock issued under stock option agreements.....	348,054	457,655
Excess of fair market value over par value of treasury stock sold.....		8,150
Balance at end of the year.....	<u>\$ 34,866,252</u>	<u>\$ 34,518,198</u>

*consolidated statements of earnings
retained for use in the business*

Balance at beginning of the year.....	\$158,790,431	\$ 131,175,633
Net earnings for the year.....	23,578,894	48,243,361
	<u>\$182,369,325</u>	<u>\$ 179,418,994</u>
Less cash dividends paid (1961—\$1.20 a share; 1960—\$1.15 a share).....	21,644,730	20,628,563
Balance at end of the year.....	<u>\$160,724,595</u>	<u>\$ 158,790,431</u>

See notes to financial statements.

consolidated balance sheets

SEPTEMBER 30, 1961 and 1960

assets

	1961	1960
CURRENT ASSETS:		
Cash (including in 1961 demand savings deposits of \$13,932,380).....	\$ 39,634,696	\$ 22,253,438
Marketable securities—at cost and accrued interest (approximately market)....	30,118,683	21,509,085
Accounts receivable, less allowance of \$600,000 for doubtful accounts.....	36,239,057	38,856,538
Accounts receivable from unconsolidated subsidiaries.....	3,968,746	1,688,203
Inventories—at lower of cost (first-in, first-out method) or market.....	93,254,855	115,569,059
Prepaid insurance, taxes, and other expenses.....	3,697,289	3,938,762
TOTAL CURRENT ASSETS	\$206,913,326	\$203,815,085
INVESTMENTS AND OTHER ASSETS:		
Investments in and advances to unconsolidated subsidiaries (Note A).....	\$ 34,635,757	\$ 33,416,896
Idle plants and equipment held for sale—at estimated realizable amount.....	3,753,981	3,945,028
Miscellaneous advances and investments.....	1,923,108	2,422,869
TOTAL INVESTMENTS AND OTHER ASSETS	\$ 40,312,846	\$ 39,784,793
PROPERTY, PLANT, AND EQUIPMENT—at cost, less accumulated depreciation:		
Land.....	\$ 2,804,828	\$ 2,483,419
Buildings and improvements.....	43,428,200	42,119,572
Machinery and equipment, including tools and dies.....	111,027,898	114,867,670
	<u>\$157,260,926</u>	<u>\$159,470,661</u>
Less accumulated depreciation.....	71,529,202	64,677,672
TOTAL PROPERTY, PLANT, AND EQUIPMENT	\$ 85,731,724	\$ 94,792,989
	<u>\$332,957,896</u>	<u>\$338,392,867</u>



AMERICAN MOTORS CORPORATION AND CONSOLIDATED SUBSIDIARIES

liabilities and stockholders' investment

	1961	1960
CURRENT LIABILITIES:		
Payment due in one year on note payable to insurance company (Note B).....	\$ 4,000,000	\$ 3,000,000
Accounts payable.....	57,470,004	68,408,297
Salaries, wages, and amounts withheld from employees.....	10,335,768	9,906,733
Accrued expenses including excise and miscellaneous taxes.....	24,069,442	21,609,431
Federal and state taxes on income.....	\$ 17,743,616	\$ 39,813,156
Less United States Government securities to be applied in payment of federal taxes.....	9,855,123	35,077,209
	<u>\$ 7,888,493</u>	<u>\$ 4,735,947</u>
TOTAL CURRENT LIABILITIES	\$103,763,707	\$107,660,408
 NONCURRENT LIABILITIES:		
Executive compensation payable after one year, less applicable income taxes....	\$ 1,412,000	\$ 1,912,200
Deferred income taxes on undistributed earnings of subsidiaries.....	2,095,000	1,530,000
Note payable to insurance company.....		4,000,000
TOTAL NONCURRENT LIABILITIES	\$ 3,507,000	\$ 7,442,200
 STOCKHOLDERS' INVESTMENT:		
Capital Stock, par value \$1.66 $\frac{2}{3}$ a share (Note C):		
Authorized 30,000,000 shares		
Issued—18,260,716 shares at September 30, 1961.....	\$ 30,434,527	\$ 30,319,815
In treasury—202,911 shares at September 30, 1961.....	338,185	338,185
Outstanding—18,057,805 shares at September 30, 1961.....	\$ 30,096,342	\$ 29,981,630
Additional paid-in capital.....	34,866,252	34,518,198
Earnings retained for use in the business (Note B).....	160,724,595	158,790,431
TOTAL STOCKHOLDERS' INVESTMENT	\$225,687,189	\$223,290,259
	<u><u>\$332,957,896</u></u>	<u><u>\$338,392,867</u></u>

See notes to financial statements.

notes to financial statements

Year ended September 30, 1961

NOTE A Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its domestic subsidiaries other than Redisco, Inc., a finance company. The investments in unconsolidated subsidiaries are stated at the equity of the Corporation in the net assets of such subsidiaries as follows:

	September 30	
	1961	1960
INVESTMENTS:		
Redisco, Inc. (100% owned)		
—see accompanying		
balance sheet	\$23,178,944	\$22,270,401
Kelvinator Limited,		
England (100%		
owned)	3,293,248	3,899,773
Kelvinator of Canada		
Limited (55.81% owned)	3,470,692	3,428,578
American Motors (Canada)		
Limited (100% owned) .	4,012,553	3,818,144
	<u>\$33,955,437</u>	<u>\$33,416,896</u>
ADVANCES	680,320	
TOTAL	<u>\$34,635,757</u>	<u>\$33,416,896</u>

NOTE B Loan Agreement and Restrictions on Payment of Dividends

The loan agreement with the insurance company, as amended, provides that the Corporation shall maintain net current assets of not less than \$75,000,000. The agreement also provides that the Corporation shall not declare or pay cash dividends subsequent to September 30, 1959, in excess of 70% of the consolidated net earnings after June 30, 1959, plus \$9,000,000. At September 30, 1961, earnings retained for use in the business in the amount of \$23,232,646 were free from these restrictions.

NOTE C Stock Options

At September 30, 1961, and 1960, 452,093 shares and 520,920 shares, respectively, of Capital Stock were reserved for issuance to key employees under the restricted stock option plans.

A summary of the transactions for the year ended September 30, 1961, with respect to the stock option plans follows:

	Shares	
Options outstanding at October 1, 1960	467,366	
Options granted at prices of \$15.97 and \$18.71	40,753	
	<u>508,119</u>	
Less:		
Options exercised (at prices ranging from \$1.85 to \$10.11 a share) . . .	68,827	
Options terminated	4,095	72,922
Options outstanding at September 30, 1961 (at prices ranging from \$1.85 to \$18.77, an average of \$13.77 a share, being not less than 95% of the market price on the dates the options were granted)		<u>435,197</u>

Options for 124,329 shares and 76,135 shares were exercisable at September 30, 1961, and 1960, respectively.

accountants' report

*To the Board of Directors and Stockholders,
American Motors Corporation,
Detroit, Michigan.*

We have examined the accompanying consolidated balance sheet of American Motors Corporation and consolidated subsidiaries as of September 30, 1961, and the related statements of net earnings, earnings retained for use in the business, and additional paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of American Motors Corporation and consolidated subsidiaries at September 30, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART
Certified Public Accountants

Detroit, Michigan
November 16, 1961

consolidated balance sheets

REDISCO, INC., AND SUBSIDIARIES

assets

Current assets:

	September 30	
	1961	1960
Cash.....	\$ 22,098,948	\$ 20,517,815
Contracts, notes, and accounts receivable:		
Retail installment contracts:		
Discounted.....	\$112,667,197	\$113,297,159
Interest bearing.....	10,666,634	9,312,821
Wholesale notes—discounted.....	\$123,333,831	\$122,609,980
Other notes, loans, and advances.....	17,706,948	16,745,729
	3,597,100	3,899,811
	\$144,637,879	\$143,255,520
Less:		
Unearned discount and service charges.....	\$ 12,715,084	\$ 13,317,605
Allowance for losses.....	1,655,138	1,561,077
	\$ 14,370,222	\$ 14,878,682
TOTAL CONTRACTS, NOTES, AND ACCOUNTS RECEIVABLE	\$130,267,657	\$128,376,838
Prepaid interest and other expenses.....	755,196	804,363
	\$153,121,801	\$149,699,016
Other assets.....	311,208	187,325
Land, building, and equipment—at cost, less accumulated depreciation of \$418,281 (1961) and \$379,700 (1960).....	858,822	809,010
	<u>\$154,291,831</u>	<u>\$150,695,351</u>

liabilities and capital funds

Current liabilities:

Notes payable to banks—unsecured.....	\$ 78,781,868	\$ 90,224,275
Bearer commercial paper.....	29,391,920	16,340,300
Accounts payable:		
To American Motors Corporation.....	626,203	427,478
For current expenses.....	743,475	624,156
United States and Canadian taxes on income.....	1,309,587	900,039
Amounts withheld on contracts purchased.....	5,684,834	5,658,702
TOTAL CURRENT LIABILITIES	\$116,537,887	\$114,174,950

Deferred taxes on income.....

Capital funds:

Notes payable to insurance company, subordinated to notes payable to banks (Note A):		
4½%, due December 1, 1963.....	\$ 2,000,000	\$ 2,000,000
6%, due September 1, 1969.....	8,000,000	8,000,000
6¼%, due September 1, 1969.....	2,500,000	2,500,000
6⅞%, due April 1, 1970.....	1,000,000	1,000,000
	\$ 13,500,000	\$ 13,500,000
4% Subordinated Note, due October 1, 1962.....	750,000	750,000
Stockholder's investment:		
Preferred Stock, \$4.00 cumulative, par value \$100.00 a share:		
Authorized 120,000 shares		
Issued and outstanding—117,843 shares.....	\$ 11,784,300	\$ 11,784,300
Common Stock, par value \$100.00 a share:		
Authorized 100,000 shares		
Issued and outstanding—95,050 shares.....	9,505,000	9,505,000
Earnings retained for use in the business (Note A).....	1,889,644	981,101
TOTAL STOCKHOLDER'S INVESTMENT	\$ 23,178,944	\$ 22,270,401
TOTAL CAPITAL FUNDS	\$ 37,428,944	\$ 36,520,401
	<u>\$154,291,831</u>	<u>\$150,695,351</u>

Note A—Under the terms of the notes payable to insurance company, \$1,111,133 of earnings retained for use in the business of Redisco, Inc., and subsidiaries was available for the payment of dividends on Common Stock at September 30, 1961.

directors
from left to right

J. WILLARD MARRIOTT, *President and Chairman of the Board, Hot Shoppes, Inc., Washington, D.C.*

WILLIAM C. SCOTT, *President, Outboard Marine Corporation, Milwaukee, Wisconsin*

HARLAN T. PIERPONT, *Trustee, Worcester, Massachusetts*

EUSTACE SELIGMAN, *Partner—Sullivan & Cromwell, Attorneys, New York, New York*

BERNARD A. CHAPMAN, *Executive Vice-President, American Motors Corporation*

HARCOURT AMORY, *Smith, Barney, and Co., members of N.Y. Stock Exchange, New York, New York*

GEORGE ROMNEY, *Chairman of the Board and President, American Motors Corporation, Detroit, Michigan*

DON G. MITCHELL, *Vice Chairman, General Telephone & Electronics Corporation, New York, New York*

ROY ABERNETHY, *Executive Vice-President and General Manager, American Motors Corporation*

WILLIAM E. STIRTON, *Vice-President, University of Michigan, Director of its Dearborn Branch, Ann Arbor, Michigan*

RICHARD E. CROSS, *Partner—Cross, Wrock, Miller, Vieson & Kelley, Attorneys, Detroit, Michigan*

ROY D. CHAPIN, JR., *Executive Vice-President, American Motors Corporation*



AMERICAN MOTORS CORPORATION AND CONSOLIDATED SUBSIDIARIES

ADMINISTRATIVE OFFICES

14250 Plymouth Road,
Detroit 32, Michigan

officers

GEORGE ROMNEY, *Chairman of the Board and President*
ROY ABERNETHY, *Executive Vice-President and General Manager*

ROY D. CHAPIN, JR., *Executive Vice-President*
BERNARD A. CHAPMAN, *Executive Vice-President*

EDWARD L. CUSHMAN, *Vice-President*

ELMER W. BERNITT, *Vice-President,
Automotive Operations*

VIRGIL E. BOYD, *Vice-President, Automotive Sales*

J. L. BROWN, JR., *Assistant to the President and Secretary*

DONALD P. ELSE, *Vice-President and Comptroller*

JOSEPH W. ESKRIDGE, *Vice-President and General Manager,
Special Products*

RALPH H. ISBRANDT, *Vice-President, Automotive Engineering and Research*

WILLIAM H. MCGAUGHEY, *Vice-President,
Communications*

RICHARD T. PURDY, *Vice-President and Treasurer*

JOHN W. RAISBECK, *Vice-President, Sales Administration*

JOHN C. SECREST, *Vice-President, Purchasing*

HOMER L. TRAVIS, *Vice-President, Appliance Sales*

STOCK TRANSFER AGENTS

MANUFACTURERS HANOVER TRUST COMPANY, *55 Broad Street, New York 15, N.Y.*

OLD COLONY TRUST COMPANY, *45 Milk Street, Boston 6, Mass.*

THE NORTHERN TRUST COMPANY, *50 S. LaSalle Street, Chicago 90, Illinois*

REGISTRARS

THE CHASE MANHATTAN BANK, *40 Wall Street, New York 15, N.Y.*

FIRST NATIONAL BANK OF BOSTON, *45 Milk Street, Boston 6, Mass.*

HARRIS TRUST AND SAVINGS BANK, *115 W. Monroe Street, Chicago 90, Illinois*

INDEPENDENT AUDITORS

TOUCHE, ROSS, BAILEY & SMART, *1380 First National Building, Detroit 26, Michigan*

DIVIDEND DISBURSING AGENT

MANUFACTURERS HANOVER TRUST COMPANY, *55 Broad Street, New York 15, N.Y.*

AMERICAN MOTORS CORPORATION

14250 Plymouth Road

Detroit 32, Michigan

automobiles



appliances

Rambler

American
2- and 4-door sedans
2- and 4-door station wagons
Convertibles
Classic 6
2-door sedans
4-door sedans
4-door station wagons
Ambassador V-8
4-door sedans
4-door station wagons

Metropolitan

Hardtops, convertibles

Kelvinator

Refrigerators
Home freezers
Electric ranges
Electric water heaters
Automatic and wringer washers
Clothes dryers
Room air conditioners
Dishwashers
Food waste disposers
Dehumidifiers
Ice cream cabinets
Beverage coolers
Frozen food and ice cream
merchandising cabinets

Leonard

Refrigerators
Home freezers
Electric ranges
Automatic and wringer washers
Clothes dryers
Room air conditioners
Dishwashers

ABC

Automatic and wringer washers
Clothes dryers